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State Dept. review completed

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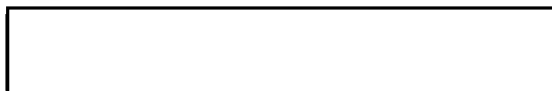
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SOVIET UNION

2. Moscow reaffirms post-Stalin policies:

In a lengthy TASS release of 25 July, the 50th anniversary of Bolshevism, the Kremlin strongly reaffirmed the conciliatory foreign policy and internal "liberalization" program which have developed since Stalin's death. Lenin was quoted on the possibility of "lasting coexistence" and also on the need of the West for trade with the Soviet bloc. Minimizing Stalin's role in party history, the editorial emphasized the recent theme of collective leadership and warned that "the cult of the individual... has nothing in common with Marxist-Leninist concepts."

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3. Comment on return of Melnikov to official status:

The appointment of L. G. Melnikov as Soviet ambassador to Rumania suggests that his earlier disgrace was engineered by Beria in the power struggle which resulted in the latter's arrest. Melnikov, an alternate member of the top party presidium at the time, had been ousted on 12 June from his position of leadership in the Ukraine on charges of harsh Russification of that republic's western oblasts. His re-emergence supports previous indications that the now scrapped anti-Russification propaganda campaign had been a Beria creation.

SOUTHEAST ASIA

4. French promise Cambodia independence:

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In its latest note to Cambodia, the French government reaffirms its intention to allow the Kingdom of Cambodia to attain complete independence and sovereignty. It offers to discuss any outstanding problems.

Ambassador Heath in Saigon believes that this meets Cambodian demands but fears that the king may be influenced by his advisers to continue in his present wary attitude toward the French.

Comment: The French note is unprecedented in promising full independence. The essence of the Cambodian demand, however, is that France acknowledge that Cambodia is actually, not merely potentially, independent.

The Cambodian prime minister, after a visit to the king's headquarters, announced that France and Cambodia had reached agreement "in principle."

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NEAR EAST - AFRICA

5. Mossadeq reportedly unable to decide on future action:

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The recent letter of President Eisenhower and the continued absence of Ambassador Henderson have made Prime Minister Mossadeq unsure concerning his future course of action, the

American embassy reported on 25 July.

In addition, the Tudeh's impressive display of strength during the 21 July demonstrations and the failure of the prime minister's negotiations with the Soviet Union to arouse alarm in the United States have added to Mossadeq's uncertainties.

As a result mainly of the president's letter, some of Mossadeq's more moderate backers appear to be reconsidering whether to support him.

Comment: Mossadeq has long attempted to stimulate American fear of a Communist take-over in Iran in order to get financial and economic aid from the United States. The evidence of a lack of American support and the significant increase in Tudeh capabilities may be causing him to re-examine his tactics.

6. Comment on Lebanese elections:

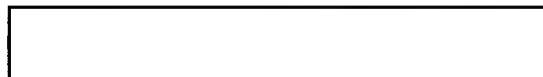
The first free elections in Lebanon returned a 44-man unicameral legislature of generally middle-class political individualists interested in an independent, Western-oriented state.

These elections break the power of the feudal sheikhs largely responsible for the corruption of the government and legalize the forced removal of the Khoury regime last fall. They also mark a definite trend away from the leftism popularly embodied in the demagogic chieftain, Kamal Jumblatt, who is the sole representative of his socialist party in the new parliament.

Since this election returned legislators as individuals rather than party members, the resulting parliament is likely to be disunited and unstable at least for a time.

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EASTERN EUROPE

7. Imminent high-level personnel changes rumored in Prague:

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[REDACTED] Rumors of imminent changes in the Czech Communist Party and government hierarchy persist in Prague despite the reappearance after prolonged absences of most of the Czech leaders. The most recent rumors center about the replacement of Premier Siroky. He and President Zapotocky are rumored to have returned recently from high-level consultations in Moscow.

The American embassy believes that the Czech government will probably announce policy changes on the Hungarian model as "paper concessions" to the disgruntled populace. It does not foresee, however, any major purges resulting from the Beria affair.

Comment: If the Czech regime softens its internal policy, one or more leaders will probably be replaced. Abolition of the presidency has long been expected in line with general Orbit policy, in which case Zapotocky would probably be eliminated from the government but retain his leading role in the party.

8. Rumania reported suspending work on Danube-Black Sea Canal:

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[REDACTED] The American legation in Bucharest reports [REDACTED] that work was suspended on the Danube-Black Sea Canal on 20 July and that all "free" labor was shifted to harvesting in the East Danube grain belt. The legation believes that this move may be designed to ensure the harvesting program, remove prison labor from the canal before visits of members of International Youth Festival, or possibly to cut back the long-range investment program.

Comment: The Danube-Black Sea Canal, originally planned for completion by 1955, is still in an early stage of construction; work might be suspended on it in order to shift resources to other parts of the economy where more immediate results would be obtained.

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[REDACTED]

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WESTERN EUROPE

9. Comment on changes in East German politburo:

The reorganization of the top leadership of the Socialist Unity Party by the replacement of several politburo members and the abolition of the secretariat, as announced on 27 July, should strengthen the party.

The removal from the politburo of Wilhelm Zaisser, recently deposed security chief, and the addition of Willi Stoph, minister of interior, serves to dispel speculation that Zaisser might replace Stoph as head of the Ministry of Interior. Stoph is now head of all military and security forces in East Germany and as such must be considered one of the most powerful men in the country.

The retention of Premier Grotewohl and East Berlin mayor Ebert indicates that, for the moment at least, the previously-reported purge of socialist elements from the Socialist Unity Party is not to take place.

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